

EXHIBIT 17

Westlaw

Not Reported in F.Supp.2d
 Not Reported in F.Supp.2d, 2000 WL 1134471 (S.D.N.Y.), 56 U.S.P.Q.2d 1633
 (Cite as: 2000 WL 1134471 (S.D.N.Y.))

Page 1

H

Motions, Pleadings and Filings

United States District Court, S.D. New York.
SOFTVIEW COMPUTER PRODUCTS CORP. and
ERGO VIEW TECHNOLOGIES CORP., Plaintiffs,
 v.
HAWORTH, INC., Defendant.
No. 97 CIV. 8815 KMW HBP.

Aug. 10, 2000.

Philippe Bennett, Esq., Coudert Brothers, New York.

Stuart I. Friedman, Esq., Friedman, Wittenstein & Hochman, New York.

George M. Sirilla, Esq., Pillsbury, Madison & Sutro, LLP, Washington, D.C.

MEMORANDUM OPINION AND ORDER

PITMAN, Magistrate J.

I. Introduction

*1 This matter has been referred to me for general pre-trial supervision and to report and recommend with respect to dispositive motions. By letters dated July 5 and July 24, 2000 plaintiffs seek to stay this action pending the outcome of a re-examination proceeding that is now pending before the United States Patent and Trademark Office ("PTO"). For the reasons stated below, the motion is granted and the matter is stayed pending the resolution of the re-examination proceeding.

II. Facts

In principal part, this is a patent infringement action. [FN1] Plaintiffs allege that defendant's patent, United States Patent No. 4,616,798 [FN2] (the "'798 Patent'"), is invalid and unenforceable and seek a declaratory judgment to that effect. Defendant denies the material allegations of the complaint and has asserted a counterclaim alleging that several of plaintiffs' products infringe the '798 Patent. Five claims of the '798 Patent are alleged to be infringed, namely Claims 31, 32, 33, 34 and 36. [FN3] Defendant has never sought injunctive relief against

plaintiffs' alleged infringement.

FN1. Plaintiffs have also asserted non-patent claims in which they allege that defendant is improperly attempting to enforce a patent that it knows is invalid. *See generally Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 174 (1965). Because this aspect of the case is dependent on the outcome of patent validity and infringement issues, I have bifurcated these claims and stayed discovery concerning them until the patent infringement and validity issues are resolved (*see* Docket Item No. 54).

FN2. The '798 Patent's subject matter is an adjustable support mechanism for computer keyboard shelves.

FN3. In a Memorandum Opinion and Order dated December 10, 1999, I denied Haworth's application to assert that plaintiffs infringed twelve (12) additional claims. Haworth has appealed this decision to the Honorable Kimba M. Wood, United States District Judge, to whom this matter is assigned. That appeal is currently pending.

At some unspecified date in the first half of this year, Softview requested that the PTO commence a reexamination proceeding with respect to certain claims of the '798 Patent. The PTO granted the request on or about June 23, 2000, finding that there are "substantial new questions of the patentability of claims 1, 23, 24, 25, 26, 31, 32, 36, 37 and 38 ..." (Exhibit F to the Letter of Philippe Bennett, Esq., dated July 24, 2000).

III. Analysis

A reexamination proceeding is an administrative proceeding conducted by PTO for the purpose of determining the validity of an existing patent. *See 35 U.S.C. § 301, et seq.* A reexamination can be requested by any person at any time upon showing the existence of "prior art," "consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent." *35 U.S.C. § 301, 302. Bausch & Lomb Inc. v. Alcon Lab., Inc.*, 914 F.Supp. 951, 952 (W.D.N.Y.1996).

Not Reported in F Supp 2d

Page 2

Not Reported in F Supp 2d, 2000 WL 1134471 (S.D.N.Y.), 56 U.S.P.Q.2d 1633

(Cite as: 2000 WL 1134471 (S.D.N.Y.))

One purpose of the reexamination procedure is to eliminate trial of the issue of patent claim validity (when the claim is canceled by the [PTO]), or to facilitate trial of that issue by providing the district court with the expert view of the PTO (when a claim survives the reexamination proceeding), Gould v. Control Laser Corp., 705 F.2d 1340, 1342 (Fed.Cir.), cert. denied, 464 U.S. 935 (1983); Ingro v. Tyco Industries, Inc., 1985 WL 1649 at *1, 227 U.S.P.Q. (BNA) 69, 71 (N.D.Ill.1985). The procedure was intended "to provide an inexpensive, expedient means of determining patent validity which, if available and practical, should be deferred to by the courts ...," especially where the infringement litigation is in the early stages Digital Magnetic Systems, Inc. v. Anslev, 1982 WL 52160, at *1, 213 U.S.P.Q. (BNA) 290 (W.D.Okla.1982). As stated in the Digital Magnetic Systems case:

*2 Parties should not be permitted to abuse the process by applying for reexamination after protracted, expensive discovery or trial preparation. Yet, in cases ... which have not progressed beyond the initial litigation stages and in which the plaintiff has an adequate legal remedy, the reexamination procedure should be utilized.

Id

Snyder Seed Corp. v. Scription Sys., Inc., 52 U.S.P.Q.2d 1221, 1223 (W.D.N.Y.1999).

Although the reexamination procedure does not provide for an automatic stay of pending district court proceedings involving the same claims, see H.R.Rep. No. 1307 Part 1, 96th Cong., 2nd Sess. 4, reprinted in 1980 U.S.C.A.N. 6460, 6463, there is no question that a district court in which an infringement action has been filed has the discretion to stay the infringement action pending the outcome of the reexamination proceeding. Ethicon, Inc. v. Quigg, 849 F.2d 1422, 1426-27 (Fed.Cir.1988). The following advantages have been found to result from a stay of district proceedings pending completion of reexamination proceedings:

1. All prior art presented to the Court will have been first considered by the PTO, with its particular expertise.
2. Many discovery problems relating to prior art can be alleviated by the PTO examination.
3. In those cases resulting in effective invalidity of the patent, the suit will likely be dismissed.
4. The outcome of the reexamination may encourage a settlement without further use of the Court.
5. The record of the reexamination would likely be entered at trial, thereby reducing the complexity

and length of the litigation.

6. Issues, defenses, and evidence will be more easily limited in pre-trial conferences after a reexamination.

7. The cost will likely be reduced both for the parties and the Court.

Emhart Indus. v. Sankyo Seiki Mfg., 3 U.S.P.Q.2d 1889, 1890 (N.D.Ill.1982), citing Fisher Controls Co. v. Control Components Inc., 443 F.Supp. 581, 582 (S.D.Iowa 1977). Accord Snyder Seed Corp. v. Scription Sys., Inc., supra, 52 U.S.P.Q.2d at 1223. Courts have routinely stayed infringement actions pending the outcome of reexamination proceedings. E.g., Snyder Seed Corp. v. Scription Sys., Inc., supra, 52 U.S.P.Q.2d 1221; Bausch & Lomb Inc. v. Alcon Lab., Inc., supra, 914 F.Supp. 951; Sulzer, Inc. v. Black Clawson Co., 93 Civ. 8721(JGK), 1995 WL 363440 (S.D.N.Y. June 14, 1995); Brown v. Shimano American, 18 U.S.P.Q.2d 1496 (C.D.Cal.1991); Grayling Indus. v. GPAC, Inc., 19 U.S.P.Q.2d 1872 (N.D.Ga.1991); Emhart Indus. v. Sankyo Seiki Mfg., supra, 3 U.S.P.Q.2d 1889; Thomas & Betts Corp. v. Tishman Research Corp., 86 Civ.1926(MJL), 1986 WL 13455 (S.D.N.Y. Nov. 17, 1986).

In determining whether to grant a stay, courts have considered the following factors:

(1) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether discovery is complete and whether a trial date has been set.

*3 Xerox Corp. v. 3Com Corp., 69 F.Supp.2d 404, 406 (W.D.N.Y.1999) (citations omitted). See also *Note, Reexamination Reality: How Courts Should Approach a Motion to Stay Litigation Pending the Outcome of Reexamination*, 66 Geo. Washington L.Rev. 172, 178 (1997).

Although I believe that this is a close case, on balance, I believe that the equities weigh in favor of a stay.

First, it does not appear that a stay would unduly prejudice the patentee. Although Haworth correctly notes that plaintiffs have not acted with dispatch in seeking reexamination and that plaintiffs have pursued an extremely burdensome discovery program, the cost to Haworth of the litigation to date will not be affected by the grant or denial of a stay; denying the stay will not, without more, entitle Haworth to recover fees it has already spent litigating this case. In addition, if the parties continue to litigate the validity of the claims in this Court, and the PTO

Not Reported in F Supp 2d
 Not Reported in F Supp 2d, 2000 WL 1134471 (S.D.N.Y.), 56 U.S.P.Q.2d 1633
 (Cite as: 2000 WL 1134471 (S.D.N.Y.))

Page 3

subsequently finds that some or all of the claims in issue here are invalid, the Court will have wasted time and the parties will have spent additional funds addressing an invalid claim or claims. Thus, although the denial of a stay can have no effect whatsoever on past events, the grant of a stay will maximize the likelihood that neither the Court nor the parties expend their assets addressing invalid claims.

Second, although there has been a great deal of activity in this litigation to date, much remains to be done before the case is ready for trial. Discovery is not yet completed, extremely voluminous summary judgment motions have been served, the *Markman* [FN4] hearing has not yet been held and the Pretrial Order has not yet been prepared. It would be a serious waste of both the parties' and the Court's resources if the *Markman* and summary judgment proceedings went forward and the claims were subsequently declared invalid or were amended as a result of the reexamination proceeding.

FN4. See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996)

Third, a stay will necessarily simplify the issues. If the reexamination proceeding invalidates or narrows a claim or claims, the issues at trial will be simplified. Similarly, if the reexamination proceeding reaffirms all the claims as issued, the Court will then have the benefit of the PTO's expert analysis of the prior art that allegedly invalidates or limits the claims. See *Note, Reexamination Reality: How Courts Should Approach a Motion to Stay Litigation Pending the Outcome of Reexamination*, *supra*, 66 Geo. Washington L. Rev. at 180-81 & nn. 82-83.

Haworth claims that a stay would prejudice it because, until the action is resolved, plaintiffs will unfairly gain market share. Haworth explains that because plaintiffs are not paying it royalties, plaintiffs can unfairly price their products below Haworth's licensees and thereby gain market share at the expense of Haworth's licensees. This argument does not, however, establish harm to Haworth. If the patent is ultimately found to be valid and infringed, plaintiffs will be responsible to Haworth for damages--perhaps treble damages, 35 U.S.C. § 284--for all the infringing mechanisms that it has sold. Thus, it does not appear that staying the action will result in an financial damage to Haworth. In addition, if found to be infringing, plaintiffs will be subject to injunctive relief, 35 U.S.C. § 283, which would entirely eradicate their market share with respect to infringing products. Thus, Haworth's prejudice

argument is unpersuasive.

IV. Conclusion

*4 Accordingly, for all the foregoing reasons, plaintiffs' application to stay this matter pending the outcome of the PTO's reexamination proceeding is granted. The Clerk of the Court is directed to remove this matter from the active docket of the Court until the conclusion of the PTO's reexamination proceeding. Defendant is to advise my chambers promptly of the conclusion of the reexamination proceedings.

SO ORDERED

Not Reported in F Supp 2d, 2000 WL 1134471
 (S.D.N.Y.), 56 U.S.P.Q.2d 1633

Motions, Pleadings and Filings (Back to top)

- 2000 WL 34403440 (Trial Motion, Memorandum and Affidavit) Reply Memorandum of Law in Further Support of Haworth, Inc.'s Motion, Pursuant to Local Civil Rule 6.3, for Partial Reconsideration of the Court's March 31, 2000 Opinion and Order (May 05, 2000)
- 2000 WL 34403436 (Trial Motion, Memorandum and Affidavit) Memorandum in Opposition to Defendant Haworth Inc.'s Appeal of and Objection to the Magistrate Judge's Memorandum Opinion and Order Dated December 10, 1999 (Jan. 11, 2000)
- 1999 WL 33885603 (Trial Motion, Memorandum and Affidavit) Haworth, Inc.'s Reply Memorandum of Law in Further Support of its Motion to Compel Discovery, Pursuant to Federal Rule of Civil Procedure 37 (Sep. 29, 1999)
- 1999 WL 33885601 (Trial Motion, Memorandum and Affidavit) Plaintiffs' Reply to Defendant's Counterstatement in Response to Plaintiffs' Statement of Material Facts not in Dispute Pursuant to Local Rule 56.1 with Respect to Plaintiffs' Motion for Partial Summary Judgment on Grounds of Lack of Written Description (Sep. 21, 1999)
- 1999 WL 33885600 (Trial Motion, Memorandum and Affidavit) Reply Memorandum of Law in Support of Plaintiffs' Motion to Compel Production of Documents Scheduled on Haworth's Privilege Log (Aug. 02, 1999)

Not Reported in F.Supp.2d
Not Reported in F.Supp.2d, 2000 WL 1134471 (S.D.N.Y.), 56 U.S.P.Q.2d 1633
(Cite as: 2000 WL 1134471 (S.D.N.Y.))

Page 4

- 1999 WL 33885602 (Trial Motion, Memorandum and Affidavit) Memorandum of Law in Support of Haworth, Inc.'s Motion to Compel Discovery, Pursuant to Federal Rule of Civil Procedure 37 (Jul. 14, 1999)

- 1999 WL 33885599 (Trial Motion, Memorandum and Affidavit) Defendant Haworth, Inc.'s Memorandum of Law in Opposition to Plaintiff's Motion Pursuant to Rule 37 of the Federal Rules of Civil Procedure to Compel Defendant to Respond to Plaintiff's Discovery Requests (Jun. 21, 1999)

- 1999 WL 33885597 (Trial Motion, Memorandum and Affidavit) Defendant Haworth, Inc.'s Memorandum of Law in Support of Its Motion to Bifurcate and Stay Plaintiff's Antitrust and Patent Misuse Claims (Mar. 19, 1999)

- 1999 WL 33885598 (Trial Motion, Memorandum and Affidavit) Haworth, Inc.'s Reply Memorandum of Law in Further Support of Its Motion to Bifurcate and Stay Plaintiff's Antitrust and Patent Misuse Claims (Mar. 19, 1999)

- 1999 WL 33885594 (Trial Motion, Memorandum and Affidavit) Plaintiff's Reply to Defendant's Amended Counterclaims (Mar. 02, 1999)

- 1999 WL 33885595 (Trial Motion, Memorandum and Affidavit) Plaintiffs' Opposition to Defendant's Motion to Bifurcate and Stay Plaintiffs' Antitrust and Patent Misuse Claims (Mar. 02, 1999)

- 1999 WL 33885596 (Trial Motion, Memorandum and Affidavit) Ergoview Technology Corporation's Reply to Haworth Inc.'s Amended Counterclaims; and Counterclaims (Mar. 02, 1999)

- 1:97cv08815 (Docket)
(Nov. 26, 1997)

END OF DOCUMENT

EXHIBIT 18

Westlaw

1989 WL 117976

Page 1

Not Reported in F Supp , 1989 WL 117976 (N.D.Ill.)
(Cite as: 1989 WL 117976 (N.D.Ill.))

H

Motions, Pleadings and Filings

Only the Westlaw citation is currently available.

United States District Court, N.D. Illinois, Eastern
Division.

SUN-FLEX COMPANY INCORPORATED, a
California corporation, and DACA International
B V., a Netherlands corporation, Plaintiffs,

v.

SOFTVIEW COMPUTER PRODUCTS CORP., a
New York corporation, and Robert King, an
individual, Defendants.

No. 89 C 296.

Sept. 27, 1989.

*Memorandum and Ruling on Defendants' Motion for
Stay*

BERNARD WEISBERG, United States Magistrate.

*1 Having reviewed the briefs and exhibits submitted in connection with this motion, and letters from counsel dated April 5, June 9, June 12 and September 1, 1989, we conclude that defendants' motion should be granted.

In *Emhart Industries, Inc. v. Sankyo Seiki Mfg. Co., Ltd.*, 3 U.S.P.Q.2d 1889 (N.D.Ill.1987), Judge Kocoras listed several benefits of staying federal court patent litigation pending the outcome of reexamination proceedings before the Patent and Trademark Office (PTO). They include the following. The court will have the benefit of expert review by the PTO of all prior art presented to the court, discovery problems relating to prior art can be alleviated, the suit will probably be dismissed if the patent is invalidated, reexamination may encourage a settlement, the complexity, length and cost of the litigation will probably be reduced and defenses in evidence will be more easily limited. Each of those benefits is present here. This case is at an early stage. The complaint was filed on January 13, 1989. No pretrial discovery has yet been taken although plaintiffs served deposition notices with document requests on March 28, 1989. There is nothing to indicate that this stay is sought for the sake of delay.

Indeed plaintiffs themselves delayed in filing this suit for almost six years after they first threatened suit against defendants. A stay here would serve the purposes of the reexamination statute, 35 U.S.C. § 305, and will facilitate the reexamination process itself. See *Manual of Patent Examining Procedure* ¶ 2263, Item 2 in Appendix to Defendants' Response to Plaintiffs' Opposition to Defendants' Motion to Stay.

Plaintiffs' arguments against the stay are not persuasive. The statute requires reexamination proceedings to be completed with "special dispatch". Even if issues remain to be litigated after the reexaminations are completed, the cost and scope of the remaining litigation are likely to be substantially reduced. While we agree with plaintiffs that Congress did not intend PTO reexamination to lead to a stay in every case, we are satisfied that a stay in the circumstances of this lawsuit fully serves the purposes of the reexamination statute. See *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601- 02 (Fed. Cir.1985); *Gould v. Control Laser Corp.*, 705 F.2d 1340 (Fed. Cir.1983).

Not Reported in F Supp , 1989 WL 117976
(N.D.Ill.)

Motions, Pleadings and Filings (Back to top)

• 1:89cv00296 (Docket)
(Jan. 13, 1989)

END OF DOCUMENT

EXHIBIT 19

Westlaw

Slip Copy
 Slip Copy, 2005 WL 2175436 (W.D. Tenn.)
 (Cite as: 2005 WL 2175436 (W.D. Tenn.))

Page 1

H

Only the Westlaw citation is currently available.

United States District Court,
 W.D. Tennessee, Western Division.
 LECTROLARM CUSTOM SERVICES, INC.,
 Plaintiff,
 v.
 VICON INDUSTRIES, INC., et al., Defendants.
 No. 03-2330 MA/A.

Sept. 1, 2005.

Gianni Minutoli, Deanna Allen, Dipu A. Doshi,
Gary M. Hoffman, John C. Snodgrass, Dickstein
Shapiro Morin & Oshinsky, Kenneth Brothers,
Laurence E. Fisher, Rachael Lea Leventhal,
 Washington, DC, Kemper B. Durand, Thomason
Hendrix Harvey Johnson & Mitchell, Memphis, TN,
 for Plaintiff

James Edward Hanft, Lee A. Goldberg, Michael J.
Sweedler, Darby & Darby, Mark I. Koffsky, David
W. Whealan, Goodwin Procter LLP, New York, NY,
John J. Mulrooney, Crone & Mason, PLC, Earle J.
Schwarz, Glankler Brown, PLLC, Douglas F.
Halijan, Burch Porter & Johnson, Robert E.
Craddock, Jr., Wyatt Tarrant & Combs, Memphis,
 TN, Douglas C. Doskocil, J. Anthony Downs, John
C. Englander, Paul F. Ware, Jr., Goodwin Procter
LLP, Boston, MA, Rebecca W. Bacon, Sean W.
Gallagher, Steven J. Nachtwey, Alan E. Littmann,
Bartlit Beck Herman Palenchar & Scott, Chicago, IL,
Albert L. Underhill, Erik G. Swenson, Rachel C.
Hughey, Merchant & Gould PC, Minneapolis, MN,
 for Defendants

ORDER DENYING DEFENDANT VICON
 INDUSTRIES, INC.'S MOTION TO STAY

MAYS, J.

*1 Before the court is defendant Vicon Industries, Inc.'s ("Vicon") "Motion to Stay Action Pending Patent Reexamination," filed on behalf of all defendants (the "Defendants") on March 4, 2005. Plaintiff Lectrolarm Custom Systems, Inc. ("Lectrolarm") filed a response on March 22, 2005. Vicon filed a reply brief on April 18, 2005, in which it also requested an oral hearing on the motion. For the following reasons, Vicon's motion to Stay is

DENIED and its request for an oral hearing is DENIED.

I. Factual Background

On November 27, 1990, the United States Patent and Trademark Office ("PTO") issued U.S. Patent No. 4,974,088 (the "'088 Patent"), entitled Remote Control Apparatus for a Rotating Television Camera Base, to inventor Takeshi Sasaki. The technology at issue is an apparatus that uses computer memory and digital communication to permit remote control "rotation of a monitoring television camera in the horizontal and vertical directions" U.S. Patent No. 4,974,088, Column 1:6-8. The patent was originally assigned to Maruwa Electronic & Chemical Company ("Maruwa"). Maruwa assigned the patent to Lectrolarm. Lectrolarm alleges that the defendants have infringed the ''088 patent'. [FN1]

[FN1. Originally there were fourteen defendants; four remain.

On January 28, 2005, Vicon filed in the United States Patent and Trademark Office (the "PTO") a request for reexamination of the ''088 Patent'. (Def.'s Mem. at 1.) The request for reexamination is based on prior art consisting of printed publications for two products: the VPS1200 system made by Vicon and the SensorVision product made by Sensormatic Electronics Corporation ("Sensormatic"). (Id. at 4.) This prior art was not considered by the PTO when it granted the ''088 Patent', although both products, and presumably the publications describing them, have been available for over 15 years (Pl.'s Resp. at 3.) The prior art products described in these publications are also the subject of two summary judgment motions for invalidity that were filed in this case on September 24, 2004, and November 19, 2004. Both Vicon and Sensormatic contended in letters to Lectrolarm in 2000 that these publications are invalidating prior art. (Id. at 4 (citing letters between the parties' attorneys).)

The PTO granted Vicon's request for reexamination of the ''088 Patent'. (Def.'s Reply Brief.) The PTO found "a substantial likelihood that a reasonable examiner would consider the teachings of the newly cited prior art important in deciding whether or not the claims are patentable." (Laurenzi Dec., Ex. A at 2.)

Slip Copy
 Slip Copy, 2005 WL 2175436 (W.D. Tenn.)
 (Cite as: 2005 WL 2175436 (W.D. Tenn.))

Page 2

The complaint in this case was filed on May 8, 2003. A trial date of September 19, 2005, was set on November 30, 2004. Discovery concerning expert witnesses closed on May 6, 2005, and fact discovery closed on January 17, 2005. Lectrolarm estimates that over \$10 million has been spent by the defendants litigating this suit so far. (Pl.'s Resp. at 5.)

II. Patent Reexamination Background

"Any person at any time may file a request for reexamination by the [Patent] Office of any claim of a patent..." 35 U.S.C. § 302. A reexamination request may only be based on "prior art consisting of patents or printed publications." 35 U.S.C. § 301. "Within three months following the filing of a request for reexamination ... the Director will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request." 35 U.S.C. § 303(a). "If ... a substantial new question of patentability affecting any claim of a patent is raised, the determination will include an order for reexamination of the patent..." The patent owner will be given ... not less than two months ... within which he may file a statement on such question... [The person who requested reexamination then has two months to] file and have considered in the reexamination a reply to any statement filed by the patent owner." 35 U.S.C. § 304.

*2 If, however, litigation has been stayed for the filing of a reexamination request, the examination following the statement by the patent owner and the reply by the requester "will be expedited to the extent possible." [FN2] M.P.E.P. § 2286. Office actions in these reexamination proceedings will normally set a shorter one-month statutory period for response rather than the two months usually set in reexamination proceedings, *Id.*

[FN2]. The M.P.E.P. regulations actually state that the reexamination proceedings will be expedited if the request for reexamination indicates that litigation has been stayed. The court assumes that if the PTO is informed that litigation has been stayed after the request for reexamination was filed the examiner will adopt the expedited time table.

"After the times for filing the statement and reply ... have expired, reexamination will be conducted according to the procedures established for initial

examination..." 35 U.S.C.A. § 305. The patent owner may appeal ... and may seek court review ... [of] any decision adverse to the patentability of any original or proposed amended or new claim of the patent [as provided by the patent statute for appeal and court review of initial patent examination proceedings]." 35 U.S.C. § 306. "All reexamination proceedings ... including any appeal to the Board of Patent Appeals and Interferences, will be conducted with special dispatch within the Office." 35 U.S.C. § 305. "[W]hen the time for appeal has expired or any appeal proceeding has terminated, the Director will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable." 35 U.S.C. § 307(a).

"Congress intended the reexamination process to provide an efficient and relatively inexpensive procedure for reviewing the validity of patents which would employ the PTO's expertise." *Ethicon, Inc. v. Ouigg*, 849 F.2d 1422, 1426 (Fed.Cir.1988). Reexamination permits "efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation" and allows the validity of a patent to be "tested in the Patent office where the most expert opinions exist." H.Rep. 1307(I), 96th Cong., 2d Sess. 4, reprinted in 1980 U.S. Code Cong. & Admin. News 6460, 6463.

III. Analysis

The decision to stay a case pending the conclusion of a patent reexamination is at the discretion of the trial court. *Ethicon, Inc. v. Ouigg*, 849 F.2d 1422, 1426-27 (Fed.Cir.1988) (citing *Landis v. North American Co.*, 299 U.S. 248, 254, 57 S.Ct. 163, 81 L.Ed. 153 (1936)). Courts have found that issuing a stay pending the outcome of a reexamination has many advantages, including:

1. All prior art presented to the Court will have been first considered by the PTO, with its particular expertise.
2. Many discovery problems relating to prior art can be alleviated by the PTO examination.
3. In those cases resulting in effective invalidity of the patent, the suit will likely be dismissed.
4. The outcome of the reexamination may encourage a settlement without the further use of the Court.
5. The record of reexamination would likely be entered at trial, thereby reducing the complexity

Slip Copy

Page 3

Slip Copy, 2005 WL 2175436 (W.D.Tenn.)

(Cite as: 2005 WL 2175436 (W.D.Tenn.))

and length of the litigation.

*3 6. Issues, defenses, and evidence will be more easily limited in pre-trial conferences after a reexamination.

7. The cost will likely be reduced both for the parties and the Court

See, e.g., Ralph Gonnocci Revocable Living Trust v. Three M Tool & Machine Inc., 68 U.S.P.Q.2d 1755, 1757 (E.D.Mich.2003). Thus, reexamination by the Patent Office, "if available and practical, should be deferred to by the courts, especially where the infringement litigation is in the early stages." *Gonnocci*, 68 U.S.P.Q.2d at 1757; *see also Sofview Computer Prods., Corp. v. Haworth, Inc.*, 56 U.S.P.Q.2d 1633, 1635 (S.D.N.Y.2000). But, "[p]arties should not be permitted to abuse the process by applying for reexamination after protracted, expensive discovery or trial preparation." *Sofview*, 56 U.S.P.Q.2d at 1635.

"In determining whether to stay litigation pending reexamination by the PTO, courts generally consider the following factors: (1) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party; [FN3] (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether discovery is complete and whether a trial date has been set." *Xerox Corp. v. 3Com Corp.*, 69 F.Supp.2d 404, 406-07 (W.D.N.Y.1999); *see also Target Therapeutics, Inc. v. SciMed Life Systems, Inc.*, 1995 WL 20470 (N.D.Cal.1995); *GPAC, Inc. v. DWW Enterprises, Inc.*, 144 F.R.D. 60, 66 (D.N.J.1992); *United Sweetener USA, Inc. v. Nutrasweet Co.*, 766 F.Supp. 212, 217 (D.Del.1991).

FN3. The court does not address this factor in the body of the opinion because it is inconclusive. The Defendants argue convincingly that Lectrolarm seeks only money damages so Lectrolarm would not be prejudiced if the trial were delayed. Lectrolarm argues, also convincingly, that because discovery is essentially complete, and the average time for a reexamination is roughly one and a half years, staying the case would require expensive discovery to account for factual developments that occurred during the reexamination. To the extent that this factor weighs in either party's favor it is in Lectrolarm's. Because the court finds that the Defendants delayed requesting reexamination and could have prevented any prejudice to Lectrolarm by requesting reexamination in a more timely fashion,

any prejudice to Lectrolarm should be avoided.

The Defendants argue that a stay should be granted based on the second factor: whether a stay will simplify the issues in question and trial of the case. Granting the Defendants' motion could simplify the issues before the court because the PTO could invalidate all the claims. The parties have presented data showing that slightly more than 10% of completed reexaminations requested by a third party result in cancellation of all claims at issue. (Def's Mem., Ex. H (Ex Parte Reexamination Piling Data-March 31, 2004).) The data also shows that 30% of completed reexaminations requested by third parties result in confirmation of all claims. (Id.) In slightly fewer than 60% of these types of reexaminations the claims are modified in some way, but not all claims are cancelled. Based on this data, there is roughly a 70% chance that granting a stay will prevent the court from having to consider the effect modifications made by the PTO may have on the court's orders [FN4]

FN4. Even if no changes to the claim language result, the issues before the court would be simplified because the PTO's assessment of the prior art in the reexamination request would prevent the court from having to decide parts of the two summary judgment motions based on that prior art. The court, however, would still need to consider the sale or offer-for-sale portions of those motions.

The facts of this case, however, suggest that it is unlikely that the PTO will rule in the Defendants' favor because the request for reexamination appears to be motivated more by a desire for tactical delay than a belief that the prior art cited in the reexamination request is invalidating. If the Defendants had truly believed that this prior art invalidates some or all of the '088 Patent's claims, it seems likely that the Defendants would have requested reexamination one and a half years ago, before spending millions of dollars on litigation. Further, reexamination only deals with invalidity from printed prior art. Unless all claims were invalidated, a result that has a one-in-ten probability, this court would still need to deal with issues concerning other types of prior art, liability, and damages.

*4 Analysis of the third factor, whether discovery is complete and whether a trial date has been set, points

Slip Copy

Slip Copy, 2005 WL 2175436 (W.D.Tenn.)

(Cite as: 2005 WL 2175436 (W.D.Tenn.))

Page 4

towards denying Vicon's **motion to stay**. At the time the request for **reexamination** was filed, on January 28, 2005, a trial date of September 19, 2005, had been set on November 30, 2004, and fact discovery had closed on January 17, 2005. [FN5] Thus, Vicon's request for **reexamination** was filed at the close of fact discovery, over a year and a half after the complaint in this case had been filed and two months after a trial date had been set.

[FN5] The September 19, 2005, trial date will need to be reset. This fact, however, has no bearing on the court's analysis of the third factor considered in deciding whether to stay litigation pending **reexamination** because the court's main concern is whether the **reexamination** process is being abused. See *Softview*, 56 U.S.P.Q.2d at 1635. Thus, the relevant trial date is the date set when the **reexamination** request was filed, not the date the trial actually occurs.

When a petition for **reexamination** is filed after a trial date has been set, extensive discovery has been conducted, and the **reexamination** does not involve newly discovered prior art, courts uniformly refuse to **stay** the case pending **reexamination**. See, e.g., *Xerox*, 69 F.Supp.2d 404 (refusing to grant a **stay** where a request for **reexamination** was filed one and a half years into a lawsuit, six months before discovery was to close, and there was evidence that the defendant had known of the allegedly invalidating prior art eight months before filing the request); *Galdish v. Tyco Toys, Inc.*, 1993 WL 625509 (E.D.Cal. Sept.15, 1993) (refusing to grant a **stay** where there was evidence that the party requesting **reexamination** had known about the prior art in question for six months before filing the **reexamination** request); *Remington Arms Co., Inc. v. Modern Muzzleloading, Inc.*, 1998 WL 1037920 (M.D.N.C. Dec.17, 1998) (finding that the "most compelling reason for denying the **stay**" was the "unjustified delay" in requesting **reexamination** more than three months after learning of the allegedly invalidating prior art) *Output Technology Corp. v. Dataproducts Corp.*, 22 U.S.P.Q.2d 1072 (W.D.Wash 1991)(denying a **motion to stay** pending **reexamination** when discovery was scheduled for completion in four months and trial was scheduled in less than nine months); *Accent Designs, Inc. v. Jan Jewelry Designs, Inc.*, 1994 WL 121673, at *3 (S.D.N.Y. Apr.6, 1994) ("in a case such as this, in which multiple opinions have been issued, discovery is well under way and no prejudice to either party is likely to ensue, there is simply no justification for

further delay in the action").

The Defendants cite a number of cases for the proposition that stays for **reexamination** are routinely granted by trial courts after extensive litigation has already occurred. All cases that the defendants cite in support of this proposition, however, are readily distinguishable. In *Gomocci*, 68 U.S.P.Q.2d 1755, the court granted a stay after extensive discovery had been conducted and a trial date had been set. The court, however, explicitly stated that it could not find that the party seeking **reexamination** had delayed because nothing in the record indicated when that party had become aware of the allegedly invalidating prior art. *Id.* at 1758. In this case it is undisputed that the Defendants were aware of the prior art cited in their request for **reexamination** and its relevance to Lectrolarm's claim of infringement at least five years before they filed their request. Similarly, the court's decision to grant a stay one month before trial in *Robert H. Harris Co., Inc. v. Metal Mfg. Co., Inc.*, 19 U.S.P.Q.2d 1786 (E.D.Ark.1991), can be distinguished because the court found that the parties had not participated in protracted or expensive discovery and the prior art cited in the **reexamination** request was "recently discovered." *Id.* at 1788-89. Likewise, in *Grayling Industries, Inc. v. GPAC, Inc.*, 19 U.S.P.Q.2d 1872 (N.D.Ga.1991), "the prior art on which the petition [for **reexamination** was] based was uncovered during discovery." *Id.* at 1874. Finally, *Middleton, Inc. v. Minnesota Mining and Mfg. Co.*, 2004 WL 1968669 (S.D.Iowa Aug.24, 2004), is distinguishable because the court's grant of a stay after 8 years of litigation was motivated by the fact that the validity of the **patent** that was the subject of the **reexamination** had only recently become an issue in the case. [FN6]

[FN6] The defendants also cite *Snyder Seed Corp. v. Scrypton Systems, Inc.*, 52 U.S.P.Q.2d 1221 (W.D.N.Y.1999). In that case, however, the court granted a stay because "[n]o discovery has been conducted. In fact, no scheduling order has been entered." *Id.* at 1224.

*5 Finally, and most significantly, granting Vicon's **motion to stay** would impermissibly permit Vicon to abuse the **reexamination** process. The Defendants were aware of the allegedly invalidating prior art that is central to their request for **reexamination** long before they actually submitted the request to the PTO. The prior art cited in the **reexamination** request forms the basis of two summary judgment

Slip Copy
 Slip Copy, 2005 WL 2175436 (W D Tenn.)
 (Cite as: 2005 WL 2175436 (W.D.Tenn.))

Page 5

motions filed with this court on September 24, 2004, and November 19, 2004. In fact, defendants Sensormatic and Vicon alleged in 2000 that this prior art anticipated the '088 **Patent** (Pl.'s Resp., Ex. 4, 5 (Letters dated in 2000 from Vicon and Sensormatic respectively alleging that the VPS 1200 Instruction Manual and a brochure for the SensorVision System are prior art that invalidate the '088 **Patent**) There is no reason that Vicon could not have requested a **reexamination** months or years earlier. Consequently, staying the case at this point in the litigation would permit Vicon to "abuse the process by applying for **reexamination** after protracted, expensive discovery or trial preparation " Softview, 56 U.S.P.Q.2d at 1635

Not staying the case pending **reexamination** raises one additional issue: the possibility that this court and the PTO will render contradictory decisions. The Federal Circuit has held that inconsistency between the two forums is not a serious concern:

The awkwardness presumed to result if the PTO and court reached different conclusions is more apparent than real. The two forums take different approaches in determining invalidity and on the same evidence could quite correctly come to different conclusions.... Once again, it is important that the district court and the PTO can consider different evidence. Accordingly, different result between the two forums may be entirely reasonable.

Ethicon, 849 F.2d at 1428.

The easier course for the court would be to **stay** the action. That, however, would reward the Defendants' unexplained, and seemingly unexplainable, delay in filing the **reexamination** request. As the court in Enprotech Corp. v. Autotech Corp., 15 U.S.P.Q.2d 1319 (N.D.Ill.1990) stated, "[w]e are too far along the road to justify halting the journey while the defendant explores an alternate route. The **motion to stay** is denied." Id. at 1320.

The Defendants have also requested an oral argument on the **motion to stay**. The law is clear: a decision to grant a **stay** is at the discretion of the trial court based on the facts before the court. The court's decision to deny the **motion to stay** is based largely on the fact that the Defendants have alleged for five years that the prior art cited in the **reexamination** request is invalidating, but waited until the close of fact discovery to request **reexamination**. This fact is uncontroverted. Letters between the parties in 2000 show that, from the moment a lawsuit was threatened, Vicon and Sensormatic alleged that this

prior art could be used as a defense to Lectrolarm's infringement claims. Because the legal issues are clearly identified, and the key facts are uncontested, the court finds that holding an oral argument on the **motion to stay** would be unproductive.

VI. Conclusion

*6 For the foregoing reasons, defendant Vicon's **motion to stay** on behalf of all defendants is DENIED.

So ORDERED.

Slip Copy, 2005 WL 2175436 (W D Tenn)

END OF DOCUMENT

EXHIBIT 20

Westlaw

Not Reported in F.Supp.

Page 1

Not Reported in F.Supp., 1991 WL 217666 (E.D.Ark.), 19 U.S.P.Q.2d 1786

(Cite as: 1991 WL 217666 (E.D.Ark.))

F:

United States District Court, E.D. Arkansas,
Jonesboro Division.
ROBERT H. HARRIS COMPANY, INC., Plaintiff,
v.
METAL MANUFACTURING CO., INC.,
Defendant.
Civ. No. J-C-90-179.

June 21, 1991.

J. Frank Lady, Jr., Lady & Houston, P.A., Jonesboro,
Ark., for plaintiff.

Glenn Lovett, Jr., Snellgrove, Laser, Langley &
Lovett, Jonesboro, Ark., for defendant.

ORDER

GEORGE HOWARD, Jr., District Judge.

*1 Plaintiff brings this action alleging that defendant manufactures and sells a product which infringes plaintiff's patent. Defendant has filed a motion to dismiss for lack of personal jurisdiction and for improper venue. In the alternative, defendant asks that the Court transfer this action pursuant to 28 U.S.C. § 1404(a). Defendant has also filed a motion for stay pending re-examination.

Motion to Dismiss or to Transfer

To determine whether the Court can exercise personal jurisdiction over defendant, the Court must find that jurisdiction is proper under the Arkansas long-arm statute and that the exercise of personal jurisdiction is consistent with due process. Mountaire Feeds, Inc. v. Agro Impex, S.A., 677 F.2d 651, 653 (8th Cir.1982).

The Arkansas long-arm statute provides that a court may exercise personal jurisdiction over a non-resident for a cause of action arising from the defendant's transacting any business in this state. A.C.A. § 16-4-101(C)(1)(a). The Arkansas Supreme Court has held that the term "transacting business" is more inclusive than the previous statutory provision of "doing business" and that the legislative intent is to expand jurisdiction to the limits permitted by the due process clause of the United States Constitution. Dudlev v. Dittmer, 795 F.2d 669, 672 (8th Cir.1986).

Defendant states that its contacts with the state are too "attenuated" to comport with due process. Defendant also asserts that the Court cannot exercise personal jurisdiction over it unless plaintiff demonstrates that defendant has shipped the allegedly infringing product into Arkansas.

The Court disagrees. Defendant has purposefully availed itself of the privilege of conducting business in Arkansas. See Burger King Corp. v. Rudzewicz, 105 S.Ct. 2174 (1985). Defendant has derived significant revenues from the sale of its products in Arkansas. It solicits business in Arkansas (including the sale of the allegedly infringing product) through the mailing of catalogs, magazine advertisements, and telephone contacts. The documentation provided by plaintiff demonstrates sufficient "minimum contacts" between the non-resident defendant and the forum state so that the exercise of personal jurisdiction over defendant is consistent with traditional notions of fair play and substantial justice. International Shoe Co. v. Washington, 326 U.S. 310 (1945).

Defendant also argues that venue is inappropriate in this district. Defendant relies on the language of the patent venue statute, 28 U.S.C. § 1400(b) which provides that an action for patent infringement may be brought in the judicial district where the defendant resides, or where defendant has committed acts of infringements and has a regular and established place of business.

The question of the meaning of the patent venue statute in light of the recent changes to the general venue statute, 28 U.S.C. § 1391(c) was addressed in a recent decision. VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574 (Fed.Cir.1990). The court held that the definition of "reside" in § 1391(c) applies to § 1400(b).

*2 By order dated December 12, 1990, the Court stayed a decision on the motion to dismiss because of improper venue pending action by the United States Supreme Court on the petition for certiorari filed in VE Holding Corp. Certiorari in that case has recently been denied. 111 S.Ct. 1315 (1991).

As the Court noted in its December 12th order, the holding in VE Holding Corp. is dispositive of the

Not Reported in F. Supp.

Page 2

Not Reported in F. Supp., 1991 WL 217666 (E.D. Ark.), 19 U.S.P.Q.2d 1786
(Cite as: 1991 WL 217666 (E.D. Ark.))

venue issue. As defendant is subject to personal jurisdiction in this district, venue is proper here.

Defendant contends, in the alternative, that the Court should transfer the case to the Middle District of Florida

Under 28 U.S.C. § 1404(a), a court may transfer an action to any district where it might have been brought "[f]or the convenience of the parties and witnesses, [and] in the interest of justice." The plaintiff's choice of forum is usually entitled to great weight and should not be disturbed unless the balance of the various factors is clearly in favor of the defendants. Gulf Oil Corp. v. Gilbert, 330 U.S. 501 (1947). However, "[t]his choice is deserving of less weight when none of the operative facts of the action occur in the forum selected by the plaintiff." National Mortgage Network, Inc. v. Home Equity Centers, Inc., 683 F.Supp. 116, 119 (E.D. Pa. 1988). In determining whether to exercise its discretion to transfer an action, the Court may consider a number of factors, including the convenience of the parties and the witnesses, the availability of judicial process to compel the attendance of unwilling witnesses, the governing law, ease of access to sources of proof such as the location of records and documents, the place where the events at issue occurred, and the place where the case could be tried more expeditiously and inexpensively. Darchuk v. Kellwood Co., 47 FEP Cases 1259 (E.D. Ark. 1988); Kolko v. Holiday Inns, Inc., 672 F.Supp. 713 (S.D.N.Y. 1987).

The Court has weighed the factors and is persuaded that the balance of convenience or burden to defendants in this instance does not outweigh plaintiff's choice of forum. Both plaintiff and defendant will be somewhat burdened by having to obtain witnesses and documents from Florida. Plaintiff, however, contends that it is not financially able to prosecute its action in Florida

In sum, the Court finds that defendant has not met its burden of demonstrating that transfer is warranted under 28 U.S.C. § 1404(a).

Motion for Stay Pending Re-Examination

Defendant has filed a reexamination request with the United States Patent and Trademark Office (PTO) on June 7, 1991. The reexamination process is a relatively new procedure codified at 35 U.S.C. § 301-307. When a petition for reexamination is filed, the PTO must decide within three months whether

there is a substantial question of patentability. 35 U.S.C. § 303(a). If a substantial question of patentability is found, the patent will be reexamined, and the patent owner will be given a reasonable period to respond. 35 U.S.C. § 304. See Freeman v. Minnesota Mining & Mfg. Co., 661 F.Supp. 886 (D. Del. 1987).

*3 Only items of prior art are to be considered in the reexamination proceeding. "Typically, the cited prior art patents or printed publications upon which such a request is based are ones which were not considered by the patent examiner during the processing of the patent application which results in the patent-in-suit. Once a reexamination request is granted, a Patent Examiner who is familiar with the technology involved with the patent conducts the reexamination and is obligated to do so 'with special dispatch.' 37 C.F.R. § 1.550(a)." Ingro v. Tyco Industries, Inc., 227 U.S.P.Q. 69, 70 (N.D. Ill. 1985).

In this instance, defendant states that a recently discovered manual raises new questions of patentability with respect to plaintiff's patent. Defendant therefore has requested that Claims 1-8 of the Harris patent be reexamined.

Whether the action should be stayed pending the outcome of a reexamination proceedings before the PTO resides in the discretion of the court. The legislative history surrounding the establishment of the reexamination proceeding evinces congressional approval of district courts liberally granting stays.

The bill does not provide for a stay of court proceedings. It is believed by the committee that stay provisions are unnecessary in that such power already resides with the Court to prevent costly pre-trial maneuvering which attempts to circumvent the reexamination procedure. It is anticipated that these measures provide a useful and necessary alternative for challengers and for patent owners to test the validity of the United States patents in an efficient and relatively inexpensive manner.

H.R. Rep. No. 1307 Part I, 96th Cong., 2d Sess. 4, reprinted in 1980 U.S. Code Cong. & Ad. News 6460, 6463.

A number of courts have recognized the advantages of staying a pending infringement action until completion of a reexamination request. In Emhart Industries, Inc. v. Sankyo Keiki Mfg., 3 U.S.P.Q.2d 1889, 1890 (N.D. Ill. 1987), the court enumerated the following advantages in granting a stay which would

Not Reported in F.Supp.

Page 3

Not Reported in F.Supp., 1991 WL 217666 (E.D.Ark.), 19 U.S.P.Q.2d 1786
(Cite as: 1991 WL 217666 (E.D.Ark.))

shift to the PTO the validity of a patent claim:

1. All prior art presented to the Court will have been first considered by the PTO, with its particular expertise.
2. Many discovery problems relating to prior art can be alleviated by the PTO examination.
3. In those cases resulting in effective invalidity of the patent, the suit will likely be dismissed.
4. The outcome of the reexamination may encourage a settlement without the further use of the Court.
5. The record of reexamination would likely be entered at trial, thereby reducing the complexity and length of the litigation.
6. Issues, defenses, and evidence will be more easily limited in pre-trial conferences after a reexamination.
7. The cost will likely be reduced both for the parties and the Court.

Similarly, in Loffland Brothers Co. v. Mid-Western Energy Corp., 225 U.S.P.Q. 886, 887 (W.D.Okla.1985), the court noted that "[t]he reexamination procedure has the potential to eliminate trial on the issue of patent infringement, should all of the patent's claims be cancelled. It is equally possible for all of the claims in plaintiff's patent to be upheld. In any event, the expert view of the Patent Office examiner will certainly benefit this Court."

*4 Plaintiff objects to a stay. It argues that defendant seeks a stay solely to prolong the litigation and increase plaintiff's costs. In particular, plaintiff argues that it continues to be prejudiced by the existence of defendant in the marketplace. Plaintiff argues that the prejudice of the delay would outweigh any benefit which might result from the reexamination procedure.

The Court has weighed the costs and benefits of granting a stay. This action has been pending less than a year. Although it is set for trial next month, the Court is not persuaded that this is a case which has "run an overly protracted course." See Toro Company v. L.R. Nelson Corp., 223 U.S.P.Q. 636, 638 (C.D.Ill.1984). The parties appear not to have engaged in expensive discovery or extensive pretrial preparation. Furthermore, plaintiff has sued for damages and has an adequate legal remedy. See

Ingro, supra

The Court is not persuaded that defendant has abused the reexamination process in an attempt to delay trial proceedings. The Court notes that the decision on whether defendant's request for reexamination is granted will be forthcoming; should it be denied, the case can immediately be replaced on the trial calendar.

Should the reexamination request be granted, some delay will result. The Court, however, is not of the opinion that the delay will be significant and finds that the benefits of the reexamination procedure far outweigh the prejudice to plaintiff resulting from the delay.

Thus, the Court grants defendant's motion for stay of proceedings pending resolution of its request for reexamination by the PTO. Defendant is directed to notify the Court as soon as the PTO acts on the request. The case will be removed from the July 29th trial calendar.

Accordingly, the motion to quash or dismiss for lack of jurisdiction or improper venue, or in the alternative, to transfer venue is denied. The motion for stay of proceedings or to continue is granted.

Not Reported in F.Supp., 1991 WL 217666 (E.D.Ark.), 19 U.S.P.Q.2d 1786

END OF DOCUMENT

EXHIBIT 21

Westlaw

Not Reported in F.Supp.

Page 1

Not Reported in F.Supp., 1991 WL 236196 (N.D.Ga.), 19 U.S.P.Q.2d 1872

(Cite as: 1991 WL 236196 (N.D.Ga.))

F-

Motions, Pleadings and FilingsUnited States District Court, N.D. Georgia, Atlanta
Division.

GRAYLING INDUSTRIES, INC. and Kurt Hittler

v.

GPAC, INC.

Civ. No. 1:89-CV-451-ODE.

March 25, 1991.

Michael A. McKenzie, Wayne David Taylor,
Colleen Patricia O'Neill, McKenzie, Martin, Taylor
& McConaughery, Robert B. Kennedy, Kennedy &
Kennedy, Steven David Kerr, Hopkins & Thomas,
Atlanta, Ga., for plaintiffs.

Jerry Byron Blackstock, William M. Ragland, Jr.,
Powell, Goldstein, Frazer & Murphy, Atlanta, Ga.,
Allen W. Wark, Michael R. Slobasky, Harvey B.
Jacobson, Fleit, Jacobson, Cohn, Holman & Stern,
Washington, D.C. for defendant.

ORDERORINDA D. EVANS, District Judge.

*1 This action for a declaratory judgment of patent
invalidity and non-infringement is before the court on
Plaintiffs' motion to stay the proceedings during a
reexamination procedure by the United States Patent
and Trade Office ("PTO").

This action has been pending since March 8, 1989,
and the pretrial order was submitted February 6, 1991
and signed March 14, 1991. The instant motion was
filed February 15, 1991, and Defendant responded on
March 5, 1991. Plaintiffs replied on March 19,
1991. The petition for reexamination was filed by
Plaintiffs with the PTO on February 6, 1991.

Reexamination of patent validity is allowed under 35
U.S.C. § 301 et seq. The procedure calls for the
petitioner to file a request, allowable at "any time",
with the PTO. 35 U.S.C. § 302. The PTO then
must determine, within three months of filing of the
request, "whether a substantial new question of
patentability affecting any claim of the patent
concerned is raised by the request, with or without

consideration of other patents or printed
publications." 35 U.S.C. § 303(a). If the PTO finds
that a substantial new question of patentability exists,
that order must "include an order for reexamination
of the patent for resolution of the question." 35
U.S.C. § 304. The ultimate result of a
reexamination procedure is an order either cancelling
the patent as unpatentable, confirming the patent, or
amending the patent. Orders of confirmation or
amendment carry the usual presumption of validity
accruing to patents and patent reissues. *See, 35*
U.S.C. § 282; Patlex Corp. v. Mossinghoff, 758 F.2d
594, 603 (Fed.Cir.), modified on other grounds. 771
F.2d 480 (1985).

The intent behind the patent reexamination
procedure, passed in 1981, clearly was to provide the
federal courts with the expertise of the PTO. As the
Federal Circuit has stated:

The bill's proponents foresaw three principal
benefits. First, the new procedure could settle
validity disputes more quickly and less expensively
than the often protracted litigation involved in such
cases. Second, the procedure would allow courts to
refer patent validity questions to the expertise of the
Patent Office. *See Senate Hearings* at 1, wherein
Senator Bayh said that reexamination would be "an
aid" to the trial court "in making an informed
decision on the patent's validity". Third,
reexamination would reinforce "investor confidence
in the certainty of patent rights" by affording the PTO
a broader opportunity to review "doubtful patents".

Patlex, 758 F.2d at 602 (referring to *Patent*
Reexamination Hearings on S1679 Before the
Comm. on the Judiciary, 96th Cong., 1st Sess. 1
(1979)) (other citation omitted) (dicta). The decision
whether to stay proceedings in district court while a
reexamination by the PTO takes place, while not
vested expressly in the discretion of the district court
by the statute, has been recognized to be within the
district court's inherent discretionary power. *Gould v.*
Control Laser Corp., 705 F.2d 1340, 1342
(Fed.Cir.1983) (citing H.R. Rep. No. 1307 Part I, 96th
Cong., 2d Sess. 4 (1980), U.S. Code Cong. &
Admin News 1980, p 6460, 6463).

*2 Plaintiffs argue that all three of the interests set
forth by the Federal Circuit are implicated here.
First, Plaintiffs contend that, although only trial

Not Reported in F.Supp.

Page 2

Not Reported in F.Supp., 1991 WL 236196 (N.D.Ga.), 19 U.S.P.Q.2d 1872

(Cite as: 1991 WL 236196 (N.D.Ga.))

remains in this case, that trial itself would be "prohibitively expensive." Second, Plaintiffs emphasize that they have set forth numerous instances of prior art upon which the petition for reexamination is based. Review of this prior art, Plaintiffs assert, is perfectly suited to the PTO's function as envisaged by the reexamination procedure. Finally, staying the proceedings while giving the PTO an opportunity to reconsider its prior determination will strengthen respect for the patent system by allowing the agency to address its purported mistake.

Defendant argues that the first contention is inaccurate because very substantial expense has already gone into this litigation. Defendant characterizes Plaintiffs' extremely late petition for reexamination as merely dilatory. Defendant attacks the second contention on two grounds. First, Defendant contends that a stay of these proceedings before a determination that a substantial new question of patentability exists is premature. Defendant cites several district court cases in which petitions for reexamination filed after the close of discovery did not result in a stay of district court proceedings. *E.g., Digital Magnetic Systems v. Anslev*, 213 U.S.P.Q. 290 (W.D.Okla.1982). The potential for abuse inherent in granting a stay where the petition for reexamination comes very late and without explanation is apparent. Second, Defendant contends that a determination of a substantial new issue of patentability by the PTO is unlikely. Finally, Defendant stresses the prejudice which will be caused it by the delay in determining whether Plaintiffs are in violation of its patents.

Plaintiffs reply to each of these responses. First, Plaintiffs note that six depositions remain to be taken, representing an expense avoidable if the stay is granted. Second, Plaintiffs note that the pendency of this discovery (which Defendant has refused to allow to proceed during the pendency of this motion) distinguishes this case from *Digital Magnetic*, cited by Defendant. At least one district court has refused to follow *Digital Magnetic* on similar grounds. *Emhart Ind., Inc. v. Sankyo Seiki Mfg. Co., Ltd.*, 3 U.S.P.Q.2d 1889, 1987 WL 6314 (N.D.Ill.1987). The Western District of Oklahoma has also granted a stay after substantial discovery, a pretrial conference, and the setting of a trial date. *Loffland Bros. Co. v. Mid-Western Energy Corp.*, 225 U.S.P.Q. 886, 1985 WL 1483 (W.D.Okla.1985). Third, Plaintiffs explain the late filing of the petition for reexamination by asserting that the prior art on which the petition is based was uncovered during discovery.

Fourth, Plaintiffs reemphasize the efficiency of gaining a PTO order on the issue of this prior art, which will narrow the issue for trial. Finally, Plaintiffs note that the initial PTO determination is due by May 11, 1991. Even if, therefore, Defendant is correct and no substantial new question of patentability is presented by the petition for reexamination, the delay will be under two months.

*3 The court finds Plaintiffs' reasoning persuasive. The added expense arising from a stay of this proceeding is greatly outweighed by the increase in efficiency which any PTO determination would bring. On the one hand, if the patents are declared unpatentable, this action would be moot. On the other hand, even though Plaintiffs have not agreed to be bound by a PTO finding of a valid patent, such a finding would be admissible and carries a presumption of validity. Moreover, the arguments which Plaintiffs would make at trial will have been explicitly reviewed and rejected by the PTO, adding to the persuasiveness of the PTO determination. Finally, although it is not clear that Plaintiffs had good reason for the delay in petitioning the PTO for reexamination, neither has Defendant shown such egregiously dilatory conduct as would justify short-circuiting the reexamination procedure now that Plaintiffs have invoked it.

The interests underlying the reexamination procedure doubtlessly would have been served better by an earlier filing of the petition for reexamination. However, they are better served by granting a stay at this point than by denying it and allowing the trial on the merits to continue parallel to the reexamination procedure. This action will be stayed until the PTO either determines that no substantial new question of patentability exists, 35 U.S.C. § 303(a), or renders a final certificate of patentability or unpatentability, 35 U.S.C. § 307(a).

Accordingly, Plaintiffs' motion for a stay of proceedings, including discovery, is GRANTED.

SO ORDERED.

Not Reported in F.Supp., 1991 WL 236196 (N.D.Ga.), 19 U.S.P.Q.2d 1872

Motions, Pleadings and Filings (Back to top)

• 1:89cv00451 (Docket)
(Mar 08, 1989)

END OF DOCUMENT

Not Reported in F.Supp.

Page 3

Not Reported in F.Supp., 1991 WL 236196 (N.D.Ga.), 19 U.S.P.Q.2d 1872

(Cite as: 1991 WL 236196 (N.D.Ga.))

EXHIBIT 22

Westlaw

1985 WL 1483

Page 1

Not Reported in F Supp., 1985 WL 1483 (W D Okla.), 225 U.S.P.Q. 886

(Cite as: 1985 WL 1483 (W.D.Okla.))

C

United States District Court; W D. Oklahoma.
 LOFFLAND BROTHERS COMPANY, Plaintiff,
 v.
 MID-WESTERN ENERGY CORP., a corporation;
 WESTERN DRILLING COMPANY RIG-205,
 INC., a corporation; WESTERN DRILLING
 COMPANY RIG-206, INC., a corporation,
 successor in interest to Western Drilling Company;
 WESTERN DRILLING COMPANY
 RIG-207, INC., a corporation; RAYMOND E
 SMITH, an individual; CHARLES A.
 OVERSTREET, an individual; and BILL BATTLES,
 an individual, Defendants.
 No. CIV-83-2255-E.

January 3, 1985.

James R. Head HEAD, JOHNSON & STEVENSON
 228 West 17th Place Tulsa, Oklahoma 74119, for
 plaintiff.

Russell Mulinix HASTIE & KIRSHNER 3000 First
 Oklahoma Tower Okla. City, Okla. 73102, for
 plaintiff.

Raymond E. Tompkins W. Daniel Shelton LINN &
 HEIMS Suite 400, Fidelity Plaza Okla. City, Okla.
 73102, for defendant.

Richard F. Campbell, III & Robert D. Baron
 FELLERS, SNIDER, BLANKENSHIP, BAILEY &
 TIPPENS 2400 First National Center Okla. City,
 Okla. 73102, for defendant.

Kenneth R. Webster McKINNEY, STRINGER &
 WHESTER Ninth Floor, City Center Building Main
 & Broadway Okla. City, Okla. 73102, for defendant.

William R. Davis 1319 Classen Drive Okla. City,
 Okla. 73103, for defendant.

ORDER

??, District Judge.

*1 This is an action for the infringement of plaintiff's
 patent for an elevating catwalk used on drilling rigs.
 Jurisdiction over the patent claim is premised upon
28 U.S.C. § 1338. Pendent jurisdiction is alleged
 over plaintiff's claims of unfair competition and
 misappropriation of trade secrets.

Before the Court for consideration is defendants'
 Motion for Partial Summary Judgment, or, in the
 alternative, Renewed Motion to Stay.

BACKGROUND

Plaintiff filed its complaint in this action on
 September 16, 1983. Defendants filed a request for
 reexamination of the patent with the U.S. Patent and
 Trademark Office (PTO) on April 11, 1984. The
 PTO granted defendants' request on May 29, 1984.
 The decision of the PTO to grant the request for
 reexamination states that a substantial new question
 of patentability affecting claims 1-6 of plaintiff's
 patent is raised by the request. Defendants' Brief in
 Support of the Motion for Partial Summary
 Judgment, Exhibit A, at 2.

By order of September 21, 1984, the jury trial of this
 matter scheduled to commence on October 9, 1984
 was continued for a period of ninety (90) days
 pending completion of the reexamination proceeding
 in the PTO, thereafter to be re-set by order of this
 Court. Trial has not been rescheduled.

On October 26, 1984, the PTO examiner issued an
 official action rejecting claims 1-6 of plaintiff's
 patent. Defendants' Brief in Support of the Motion
 for Partial Summary Judgment, Exhibit E. However,
 this is not the final action in the reexamination
 proceeding. *Id.*, Exhibit E, at 6, ¶ 8.

MOTION FOR PARTIAL SUMMARY
JUDGMENT

Defendants move the Court to grant partial summary
 judgment in their favor on plaintiff's claim against
 them for patent infringement. In support of their
 motion, defendants claim that plaintiff's patent has
 been narrowed and restricted in scope during the
 course of its reexamination by the PTO. Defendants
 further claim that they have not made, used or sold
 any elevating catwalk structure of any type since
 March 1, 1984.

Defendants contend that the doctrine of intervening
 rights is dispositive of plaintiff's claim of patent
 infringement, citing 35 U.S.C. § 307(b) and 252 in
 support of this contention. The portions of the
 statutes quoted by the defendants in their argument
 on this point concern rights following a
 reexamination proceeding, 35 U.S.C. § 307(b), and

1985 WL 1483

Page 2

Not Reported in F.Supp., 1985 WL 1483 (W.D.Okla.), 225 U.S.P.Q. 886
(Cite as: 1985 WL 1483 (W.D.Okla.))

the effect a reissued patent has on a pending action, 35 U.S.C. § 252. (Emphasis added). Pursuant to § 252, the claims of a reissued patent, or (according to the defendants' interpretation) the patent as it exists following a reexamination proceeding, must be compared to those of the original patent to determine the effect of the reissued patent on a pending action. However, absent final action by the PTO, the Court has no basis to determine the ultimate scope of the claims of plaintiff's patent or whether the patent will contain any valid claim or claims identical with the original patent when the reexamination proceeding is concluded.

*2 Briefly stated, plaintiff's position in response to defendants' motion is that the question of patent infringement is a question of material fact and will remain so even upon final action by the PTO.

The Court can only conclude that defendants' motion is premature since there is no final action by the Patent Office pursuant to the reexamination proceeding.

MOTION TO STAY THE INSTANT LITIGATION

As an alternative to their motion for partial summary judgment, defendants seek to stay the present litigation until the reexamination proceeding in the PTO is concluded. Defendants urged the Court to grant a similar motion earlier in these proceedings. The motion was denied at that time because the extremely heavy case load in this district provides an automatic stay. In support of their renewed motion to stay, defendants project that a final action in the reexamination proceeding will be forthcoming near the end of January, 1985.

Plaintiff opposes the motion to stay, but asks the Court to reschedule the dates set by the Court in its Order entered at pretrial for the completion of certain matters required in preparation for trial. The Court notes that extensions of time have previously been granted for at least some of the dates set at pretrial. See, e.g., Orders of: December 4, 1984 (granting plaintiff's application to extend discovery deadline), November 11, 1984 (granting defendants leave to file contentions out of time); September 24, 1984 (filing contentions; completion of discovery); and June 21, 1984 (defendants' witness and exhibit lists; parties' contentions). Additionally, plaintiff states that it 'believes it can be ready for trial by May, 1985.'

The technical expertise provided by the reexamination proceeding, including a final determination by the PTO examiner, will be

extremely helpful to this Court should further consideration of this matter be necessary. Indeed, the Court invites a final determination by the PTO as to the validity of plaintiff's patent claims. The reexamination procedure has the potential to eliminate trial on the issue of patent infringement, should all of the patent's claims be cancelled. It is equally possible for all of the claims in plaintiff's patent to be upheld, or to be narrowed in some degree. In any event, the expert view of the Patent Office examiner will certainly benefit this Court. Thus, the Court is of the opinion that a stay of the trial of this matter should be granted to allow the PTO to complete the reexamination proceeding.

Accordingly,

IT IS ORDERED that defendants' Motion for Partial Summary Judgment on the patent infringement claim be and is hereby denied in that it is premature.

IT IS FURTHER ORDERED that defendants' Motion to Stay the trial in the present litigation is granted.

IT IS FURTHER ORDERED that trial of this action be and is hereby stayed pending the conclusion of the reexamination of plaintiff's U.S. Letters Patent No. 4,365,692 currently in progress in the U.S. Patent and Trademark Office.

*3 The Clerk of the Court is instructed to mail a copy hereof to counsel and/or parties of record.

Not Reported in F.Supp., 1985 WL 1483 (W.D.Okla.), 225 U.S.P.Q. 886

END OF DOCUMENT

EXHIBIT 23

Westlaw

68 U.S.P.Q.2D 1755
 2003 WL 22870902 (E.D. Mich.), 68 U.S.P.Q.2d 1755
 (Cite as: 68 U.S.P.Q.2d 1755)

Page 1

F:

Ralph Gonnocci Revocable Living Trust
 v.
 Three M Tool & Machine Inc

U.S. District Court Eastern District of Michigan

No 02-74796

Decided October 7, 2003

PATENTS

[1] Practice and procedure in Patent and Trademark Office -- Reexamination -- In general (§ 110.1501)

**JUDICIAL PRACTICE AND PROCEDURE
 Procedure -- Stays -- In general (§ 410.2901)**

Stay of proceedings in patent infringement action is warranted in view of defendant's application for reexamination of patent in suit before U.S. Patent and Trademark Office, since action has been pending less than one year, and far more time and resources have yet to be spent on case by parties and court, since record does not indicate that defendant unnecessarily delayed in seeking reexamination or that he is doing so to stall litigation, and since PTO's determination will be beneficial to efficient resolution of action, in that disputes may be resolved, issues may be simplified, parties may be encouraged to settle, and PTO's decision will be admissible in district court proceedings and presumed valid.

PATENTS

[2] Practice and procedure in Patent and Trademark Office -- Reexamination -- In general (§ 110.1501)

**JUDICIAL PRACTICE AND PROCEDURE
 Procedure -- Defenses -- Estoppel (§ 410.1805)
 Procedure -- Stays -- In general (§ 410.2901)**

Doctrine of primary jurisdiction does not compel stay of proceedings in patent infringement action pending outcome of reexamination of patent in suit by U.S. Patent and Trademark Office, since PTO's decision is presumptively valid, but not binding on federal district court, and since determination of patent validity is question of law within conventional experience of judges; stay will nevertheless be granted in present case, since benefits of permitting

PTO to address reexamination request outweigh any prejudice to plaintiff, and since doctrine of assignor estoppel does not preclude defendant from requesting reexamination of patent.

PATENTS

**Particular patents -- General and mechanical --
 Machine tools**

5,184,833, Cross and Gonnocci, power chuck, infringement action stayed pending reexamination.

*1755 Action by Ralph Gonnocci Revocable Living Trust against Three M Tool & Machine Inc., Ultra Grip International Inc., Three M Holding Corp., Ultra Grip North Inc., and Michael A. Medwid for patent infringement, in which plaintiffs counterclaim for declaratory judgment of invalidity and unenforceability. On defendants' motion to stay proceedings pending outcome of request for reexamination of patent in suit before U.S. Patent and Trademark Office. Granted.

Rodger D. Young and Steven Susser, of Young & Susser, Southfield, Mich.; Daniel H. Bliss and Gerald E. McGlynn III, of Bliss McGlynn, Troy, Mich., for plaintiff.

Theresa A. Orr and Jeffrey P. Thennisch, of Dobrusin & Thennisch, Birmingham, Mich.; *1756 Leonard K. Berman, of Hainer & Berman, Bingham Farms, Mich., for defendants.

Duggan, J.

In this action, Plaintiff alleges that Defendants are infringing U.S. Patent No. 5,184,833 (the '833 Patent). [FN1] Defendants have filed a counterclaim seeking a declaratory judgment that the '833 Patent is invalid and unenforceable. [FN2] This matter is now before the Court on a motion by Defendants, filed August 28, 2003, to stay these proceedings pending the outcome of Defendant Michael Medwid's application to the United States Patent and Trademark Office ("PTO") for a reexamination of the '833 Patent. [FN3] In the alternative, Defendants request an adjournment of the trial date until a date and time after November 29, 2003--the date by which the PTO must provide an initial response to the Request for Reexamination. A hearing on Defendants' motion was held on October 2, 2003.

68 U.S.P.Q.2d 1755
 2003 WL 22870902 (E.D.Mich.), 68 U.S.P.Q.2d 1755
 (Cite as: 68 U.S.P.Q.2d 1755)

Page 2

Procedural Background

Plaintiff filed its Complaint for patent infringement on December 2, 2002. This Court entered a Pretrial Scheduling Order on February 3, 2003, setting deadlines for filing witness lists, discovery, and the filing of motions for May 31, June 30, and July 15, 2003, respectively. Pursuant to the February 3 Scheduling Order, the final pretrial conference was to be held on September 10, 2003. On June 30, Defendants filed a motion seeking an extension of the dates set forth in the Court's Scheduling Order. The Court granted Defendants' motion in part, extending the deadlines for discovery and the filing of witness lists and motions by sixty days. On August 4, 2003, the Court set this matter for trial on its October, 2003 trailing trial docket.

According to Plaintiff, as of September 22, 2003, both parties had conducted extensive discovery and only one deposition remained to be taken. Both parties have filed their witness lists. On July 15, 2003, Plaintiff filed a motion for summary judgment. Defendants filed a response on August 22, 2003. Defendants also filed motions for summary judgment on August 29, 2003. All three motions remain pending before the Court.

On August 29, 2003, the same date Defendants' filed their motion to stay, Defendant Michael Medwid ("Medwid") filed a Request for Reexamination with the PTO of Claims 1-20 of the '833 Patent. Medwid seeks to invalidate or amend the claims of the '833 Patent, pursuant to 35 U.S.C. Section 301, on the basis that its inventors, Ralph Gonnocci ("Gonnocci") and Kenneth Cross ("Cross"), failed to file certain prior art references with their patent application. [FN4]

Applicable Law

Once a request for reexamination has been filed, the PTO must determine within three months "whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications." 35 U.S.C. § 303(a). If a substantial new question of patentability exists, the PTO must issue an order for reexamination. Ultimately, the reexamination procedure will result in an order either cancelling the patent, confirming the patent, or amending the patent.

The decision whether to stay pending district court proceedings while the PTO's reexamination takes place, while not vested expressly *1757 by statute,

has been recognized to be within the court's inherent discretionary power. Gould v. Control Laser Corp., 705 F.2d 1340, 1342 [217 USPQ 985] (Fed. Cir. 1983). Issuing a stay has many advantages, including:

1. All prior art presented to the Court will have been first considered by the PTO, with its particular expertise
2. Many discovery problems relating to prior art can be alleviated by the PTO examination.
3. In those cases resulting in effective invalidity of the patent, the suit will likely be dismissed.
4. The outcome of the reexamination may encourage a settlement without the further use of the Court.
5. The record of reexamination would likely be entered at trial, thereby reducing the complexity and length of the litigation.
6. Issues, defenses, and evidence will be more easily limited in pre-trial conferences after a reexamination.
7. The cost will likely be reduced both for the parties and the Court.

Emhart Indus. v. Sankyo Seiki Mfg. Co., 3 U.S.P.Q.2d 1889, 1890 (N.D. Ill. 1987) (citing Fisher Controls Co. v. Control Components, Inc., 443 F. Supp. 581, 582 [196 USPQ 817] (S.D. Iowa 1977)). The reexamination procedure "was intended 'to provide an inexpensive, expedient means of determining patent validity which, if available and practical, should be deferred to by the courts,' especially where the infringement litigation is in the early stages." Softview Computer Prods. Corp. v. Haworth, Inc., 56 U.S.P.Q.2d 1633, 1635 (S.D.N.Y. 2000) (quoting Digital Magnetic Sys., Inc. v. Ansley, 213 U.S.P.Q. 290 (W.D. Okla. 1982)). The court cautioned that "[p]arties should not be permitted to abuse the process by applying for reexamination after protracted, expensive discovery or trial preparation." *Id.*

In determining whether to grant a stay, courts have considered the following factors: "(1) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether discovery is complete and whether a trial date has been set." *Id.* at 1635-36 (quoting Xerox Corp. v. 3Com Corp., 69 F. Supp. 2d

68 U S P Q 2D 1755

Page 3

2003 WL 22870902 (E.D Mich), 68 U S P Q 2d 1755
(Cite as: 68 U.S.P.Q.2d 1755)

404, 406 [50 USPQ2d 1793] (W.D.N.Y. 1999)). Despite the third consideration, courts have granted stays even where discovery has been completed and even when a trial date has been scheduled or is forthcoming. *See, e.g., Emhart Indus., 3 U.S.P.Q.2d at 1891* (granting stay despite completion of costly discovery where there was no pretrial order in place, no trial schedule had been set, and virtually no trial preparations had been carried out); *Grayling Indus. v. GPAC, Inc., 19 U.S.P.Q.2d 1872* (N.D. Ga. 1991) (granting stay two years after case filed and one month after pretrial order submitted, particularly as six depositions remained to be taken which would result in added expense); *Loffland Bros. Co. v. Mid. Western Energy Corp., 225 U.S.P.Q. 886* (W.D. Okla. 1985) (granting stay one and a half years after complaint filed and after trial was scheduled to commence)

Argument

Defendants raise several arguments in favor of their request for a stay. First, Defendants argue that the issues before the PTO in Medwid's Reexamination Request completely overlap the remaining claims before this Court. Thus awaiting the PTO's determination, Defendants argue, promotes judicial economy. Defendants contend that the PTO can more expeditiously and less expensively resolve the validity dispute involving the '833 Patent and the Court is better served by the expertise of the PTO on this issue. Defendants also claim that "investor confidence" will be promoted by PTO review of a "doubtful patent," as Plaintiff's stated goal is to license the '833 [Patent] to third parties. Defendants believe that all seven advantages identified above also will be achieved by a stay of the present action.

Turning to the three factors district courts consider in determining whether to grant a stay, Defendants argue that Plaintiff will not be prejudiced by a delay in this action. Most significantly, Defendants point out that the Court previously denied Plaintiff's earlier request for injunctive relief. Defendants also note that much remains to be done in this action before it is ready for trial. For example, no final pretrial conference has occurred, a joint final pretrial order has not been drafted, discussed, or entered by the Court, and extensive, *1758 additional pretrial preparations must be completed, such as motions in limine and trial briefs. Staying the proceedings while the PTO conducts its reexamination, Defendants therefore argue, will serve to protect the parties and the Court from additional undue expense and time spent preparing this matter for trial.

Defendants further contend that moving forward with these proceedings may prove wasteful if the PTO eventually determines that the '833 Patent is invalid in whole or in part. For that reason, Defendants also argue that staying this action could serve to simplify the issues and trial of the case. Defendants claim that if the PTO invalidates the '833 Patent upon reexamination, this Court will no longer have subject matter jurisdiction over Plaintiff's claim. In addition to the additional pretrial preparation that must be done, Defendants point out that three extensive summary judgment motions have been filed and remain pending in this proceeding. Finally, Defendants claim that the doctrine of primary jurisdiction supports a stay of the present proceedings pending the PTO's reexamination of the '833 Patent.

Plaintiff responds that it will be greatly prejudiced by a stay and that the proceedings will not be aided by the PTO's decision. Plaintiff contends that Defendants' only reason for requesting a stay nearly ten months into litigation is to delay the case in the hopes that Gonnocci, who is in his seventies and has no income, will cause Plaintiff to drop its claims. Plaintiff doubts that Defendants honestly believe the '833 is invalid, pointing out that Defendants previously tried to obtain the '833 Patent in a state court action. Plaintiff also contends that Defendants' challenges to the validity of the '833 Patent ultimately will fail under the doctrine of assignor estoppel. Finally, Plaintiff believes that a stay is inappropriate where Defendants have intentionally waited until the eleventh hour to request a reexamination.

Staying the proceedings at this stage while the PTO conducts its reexamination, Plaintiff argues, will delay the resolution of the parties' dispute for close to twenty months (the amount of time Plaintiff claims statistics indicate reexamination proceedings last). Plaintiff points out that as time passes, memories fade, the availability of witnesses change, and the importance of the issues diminish as technology progresses. Furthermore, Plaintiff claims that the pendency of this litigation makes it difficult for Plaintiff to license the '833 Patent. Plaintiff also asserts, as it did in its motion for preliminary injunction, that Defendants are in a difficult financial situation and thus may be incapable of compensating Plaintiff down the road. For that reason, Plaintiff also asks the Court to order Defendants to post a bond pursuant to Rule 11 if it grants a stay. [FN5]

Analysis

Although there are factors supporting Plaintiff's and Defendants' positions, the Court finds, on balance,

68 U.S.P.Q.2d 1755
 2003 WL 22870902 (E.D.Mich.), 68 U.S.P.Q.2d 1755
 (Cite as: 68 U.S.P.Q.2d 1755)

Page 4

that the interests of the parties and the Court weigh in favor of a stay. [FN6]

[1] This action has been pending for less than a year. Undoubtedly the parties have spent considerable time and resources thus far--substantial discovery has been conducted and the parties have submitted witness lists and three lengthy summary judgment motions. Yet far more time and resources remain to be spent before this matter is concluded. Two responses to motions for summary judgment must be submitted, the Court has not begun to review those motions, and much remains to be done by the parties and the Court to prepare this case for trial.

Plaintiff may be correct that Medwid did not act swiftly in seeking reexamination. Nothing in the record, however, indicates when Medwid became aware of the prior art which is the basis for his request for reexamination. Furthermore, Defendants' counsel only filed their notice of appearance on June 30, 2003. Thus the Court cannot conclude that Medwid unnecessarily delayed seeking a reexamination or that he only is doing so now to stall this litigation.

Furthermore, the Court finds that the PTO's determination will be beneficial to the efficient resolution of this action. The PTO may resolve *1759 any remaining disputes, simplify the issues with respect to that patent, or encourage the parties to settle the remaining claims. Although not binding on this Court, the PTO's decision will be admissible and carries a presumption of validity. Furthermore, the parties already have settled their claims with respect to the '382 Patent. Perhaps the PTO's decision regarding the '833 Patent will facilitate a settlement of their remaining claims.

[2] The Court does not find the doctrine of primary jurisdiction applicable to the issues to be decided in this case. As courts have explained this doctrine:

The doctrine of primary jurisdiction represents a version of the administrative exhaustion requirement under circumstances in which a judicially cognizable claim is presented but "enforcement of the claim requires resolution of issues which, under a regulatory scheme, have been placed within the special competence of an administrative body. . ."

Goya Foods, Inc. v. Tropicana Prods., Inc., 846 F.2d 848, 851 [6 USPQ2d 1950] (2d Cir. 1988) (quoting United States v. W. Pacific R.R., 352 U.S.

59, 64, 77 S.Ct. 161, 165 (1956)). The doctrine guarantees "uniformity and consistency in the regulation of business entrusted to a particular agency" and "is intended to recognize that, with respect to certain matters, 'the expert and specialized knowledge of the agencies' should be ascertained before judicial consideration of the legal claim." *Id* (internal citations omitted).

The Court finds the doctrine inapplicable for the following reasons. The reexamination process only is an alternative method for challenging the validity of a patent. The PTO's decision is presumptively valid, but not binding on the district court. Additional evidence may be submitted in the district court proceedings. Finally, the determination as to whether a patent is valid is a question of law "within the conventional experience of judges." Johnson & Johnson v. Wallace A. Erickson & Co., 627 F.2d 57, 61-62 [206 USPQ 873] (7th Cir. 1980) (quoting Far East Conference v. United States, 342 U.S. 570, 574, 72 S.Ct. 492, 494 (1952)). As the Goya Foods court explained in rejecting the application of the doctrine to a trademark infringement action:

We are not dealing here with a regulated industry in which policy determinations are calculated and rates are fixed in order to calibrate carefully an economic actor's position within a market under agency control, and the PTO's decision to permit, deny, or cancel registration is not the type of agency action that secures "uniformity and consistency in the regulation of business entrusted to a particular agency." Nor does the registration determination raise "technical questions of fact uniquely within the expertise and experience of an agency."

Goya Foods, 846 F.2d at 852 (internal citations omitted). Despite the Court's rejection of the doctrine's application to the present matter, the Court nevertheless concludes that the advantages of a stay to permit the PTO, with its technical expertise, to address Medwid's request for reexamination outweigh any prejudice to Plaintiff.

The Court is not persuaded otherwise by Plaintiff's assertion of the doctrine of assignor estoppel. That doctrine prevents a party who assigns a patent to another from later challenging the validity of the assigned patent. See Mentor Graphics Corp. v. Quickturn Design Sys., Inc., 150 F.3d 1374, 1377 [47 USPQ2d 1683] (Fed. Cir. 1998). Plaintiff anticipates that Defendants will argue that the doctrine of assignor estoppel is inapplicable because, as Defendants claimed in earlier state court

68 U.S.P.Q.2D 1755

2003 WL 22870902 (E.D.Mich.), 68 U.S.P.Q.2d 1755
(Cite as: 68 U.S.P.Q.2d 1755)

Page 5

proceedings, Defendant Ultra Grip Incorporated's assignment of the '833 Patent to Gonnocci and Cross was unlawfully accomplished. Plaintiff argues that the state court action was dismissed with prejudice and thus Defendants are precluded from arguing in these proceedings that the assignment was unlawful.

First, while the state court action may have been dismissed with prejudice, the Court lacks sufficient information about that action (particularly under what circumstances it was dismissed) to conclude that Defendants should be barred from raising that issue here. Second, the assignor estoppel doctrine is an equitable doctrine that has been asserted to bar a party from claiming patent invalidity in response to an infringement action. Plaintiff cites no authority to suggest that the doctrine bars a party from requesting the PTO's reexamination of a patent. In fact, at least two courts have held that Section 302 of the patent statute, which permits *any person* to request a reexamination (even anonymously), supersedes contrary equitable principles. See *1760 Total Containment Inc. v. Environ Prods., Inc., 34 U.S.P.Q.2d 1254 (E.D. Pa. 1995) (holding that "[a]lthough assignor estoppel is designed to work equity in proper circumstances, courts may not ignore statutory law . . . Courts are bound to follow express statutory commands under the fundamental principal that equity follows the law."); Vitronics Corp. v. Conceptor Inc., 36 F. Supp. 2d 440, 442[44 USPQ2d 1536] (D.N.H. 1997) (Holding that Section 302 places no restrictions on who may seek reexamination and this legal mandate supersedes contrary equitable principles).

Accordingly,

IT IS ORDERED, that Defendants' Motion to Stay District Court Proceedings Pending the Outcome of a Request for Reexamination of U.S. Patent No. 5,184,833 Before the U.S. Patent & Trademark Office is *GRANTED*.

IT IS FURTHER ORDERED, that this matter is *STAYED* and thus will be removed from the Court's October trailing trial docket.

FN1. In Count II of the Complaint, Plaintiff also claimed that Defendants infringed U.S. Patent No. 6,206,382 (the '382 Patent'). The parties, however, have stipulated to the dismissal of Count II. A Stipulation and Order for Dismissal with Prejudice of Claim II was entered on September 3, 2003.

FN2. In Count I of their Counter-Complaint, Defendants also seek a declaratory judgment that the '382 Patent is invalid.

FN3. Plaintiff filed a Response to Defendants' motion to stay on September 22, 2003. On September 29, Defendants filed a Reply in which they ask the Court to strike Plaintiff's Response as it was filed late. Defendants note that while the Court "has admonished counsel for all parties to cooperate with one another in this litigation, it is submitted that even the civility rules do not excuse non-compliance with the local rules of the Court." See Reply at 1. Plaintiff's Response was due September 15. While the Court does not excuse Plaintiff's untimely filing, its Response only was seven days late. Furthermore, if the Court were to strictly enforce the local rules and thus strike Plaintiff's Response, it also would be inclined to strike Defendants' motion and reply for failing to comply with Local Rule 5.1 (requiring top and bottom margins to be at least 1 1/2" and type size of all text *and footnotes* to be no smaller than 10 characters per inch (non-proportional) or 12 point (proportional)).

FN4. Gonnocci and Cross were the original holders of the '833 Patent. Cross subsequently died, but before his death he assigned his interest in the patent to Gonnocci. Gonnocci then assigned his ownership in the patent to Plaintiff.

FN5. Rule 11 does not grant the Court authority to order Defendants to post a bond now *in the event* Defendants are unable to pay a potential judgment in this matter. The only additional authority Plaintiff cites for its request is the district court's decision in Canady v. Erbe Elektromedizin GmbH, 2002 WL 32128716 (D.D.C. 2002). Nothing in that case, however, suggests that a court may require a bond under these circumstances.

FN6. The Court finds that a stay at least is warranted while the PTO makes its initial determination as to whether to proceed with a reexamination. If the PTO finds in its initial review that Medwid's request fails to raise "substantial new questions of patentability," Plaintiff can ask the Court to

68 U.S.P.Q.2D 1755

Page 6

2003 WL 22870902 (E.D. Mich.), 68 U.S.P.Q.2d 1755
(Cite as: 68 U.S.P.Q.2d 1755)

lift the stay at that time.

E.D. Mich.

68 U.S.P.Q.2D 1755

END OF DOCUMENT